

The Impact of Customer Retention Strategies in the Nepalese GSM Mobile Service Providers: A Case of Pokhara City

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Abstract

The cellular industry of Nepal has grown by many folds with the influx of more mobile network providers in the market creating a hyper competition among themselves. Retaining the existing customers rather than just focusing on the regular market expansion is, therefore, becoming inevitable for them to sustain. In this realm, this research carried out with the core objective of identifying and assessing the impact of customer retention strategies adopted by GSM Cellular Network companies, primarily Ncell & Nepal Telecom within the locality of Pokhara, taking a sample of 192 network users as respondents within a survey based research design framework, surfaced some important findings. Five out of the six customer retention strategies so identified: Service quality, customer care services, price, loyalty enhancement programs and communications showed an association with the type of network customer use except for other service facilities which showed no association with the network types. Very few of users from Pokhara were thinking to switch over to other networks. Internet proved to be the most effective marketing strategies than other media. Service Quality and loyalty enhancement programs were found to be the most preferred customer retention strategies by the users of both networks.

Key words: Customer retention strategies, cellular network companies, Service Quality, loyalty enhancement programs, internet.

1. BACKGROUND

The cellular industry of Nepal is experiencing a phenomenal growth with the mobile telecommunication penetration rate crossing 100%. As per the Nepal Telecom Authority, MIS report (2016), the growth rate of mobile telecommunication penetration has reached to 109.65 percent by mid-May, 2016 up from 74.33 percent in mid-October, 2013. This overwhelming growth has attracted many national and international cellular service providers fueling a fierce competition in the market. Consequently, cellular companies competing for market supremacy and profits have also started to focus on customer retention rather than just acquisition and market expansion. On the flip side, because of such competition among the cellular companies themselves, it has resulted in the increase in customer benefits, ranging from expanded product ranges to various tempting promotional offers.

Customer retention programs can be a powerful tool in the arsenal of Customer Relationship Management. Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Customer retention is more than giving what customers expect but

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exceeding expectations so that customers become loyal advocates for company's brands (Reichheld, 1996).

Fluss (2009) mentions that annual customer attrition rate ranges from seven percent in industries having high exit barriers such as banking and insurance to almost 40 percent in the mobile phone industry. It can, thus, be concluded that the customers in cellular industry keep on switching network providers in expectation of more benefits. Customer retention is an inevitable factor in determining the success of business such as cellular industry today for of course. In Nepal, cellular companies today are found to adopt different customer retention strategies in pursuit of continued relationship with their customers. However, no attempt has been made, either at company level or academic level, to gauge the effectiveness of those strategies aimed at customer retention. So the question of how do consumers perceive those strategies appears no less than a riddle to researchers' community. Appraisal of the impact made on consumers by these strategies aimed at customer retention, thus constitutes to be necessary for the sake of customer retention itself. Otherwise, it may lead either to continuation of customer retention strategies that faintly coincide with the customer expectations and needs or may also lead to gradual customer defection or switching over to other network.

Thus it lies in the heart of this study to identify and assess the impact of customer retention strategies adopted by GSM Cellular Network companies, primarily Ncell & Nepal Telecom within the locality of Pokhara. Besides it also tries to find out which retention strategies have had the greatest impact on customer retention. It shall help the cellular companies to identify and focus on the most important customer retention strategies pertaining to the Nepalese context.

2. LITERATURE REVIEW

Customer Retention

Ramakrishnan (2006) defines customer retention as the marketing goal of preventing customers from going to the competitor. It is the continuity of the business relations between the customer and company (Gerpott, Rams and Schindler, 2001). Customer retention is as important as customer attraction. Lost customers involve high costs. Reichheld and Sasser (1990) assert that it is five times cheaper to market to retain customer than to acquire new ones. Customer retention has a direct impact on profitability. A small increase in customer retention could mean a huge increase in company's profit. Five percent retention of customer will translate into 35 percent to 95 percent of profits of the organization Reichheld (1996). It is due to this reason that it has become such a buzz word to companies, especially to marketers.

Existing Theories on Customer Retention

Mainly, there are four theories regarding customer retention.

The relationship commitment model

Sharma and Patterson (1999) identified communication effectiveness, technical quality, functional quality and trust as the factors influencing relationship commitment or bonding where the first three factors have an impact on trust, which in turn positively or negatively influence relationship commitment. They propose that service quality consists of two components: technical quality and functional quality. While in cellular telecommunication companies network availability and its

coverage, clarity of network, easiness of connection are the considerations within technical quality and this is what is delivered whereas functional quality simply refers to how the service is delivered. Both of these do affect customer perceived quality and therefore satisfaction. Therefore, higher the customer perception of technical and functional quality is, higher will be the trust and customer satisfaction and the relationship commitment (Ibid). The authors argue that the greater the communication effectiveness is, the stronger is the relationship commitment. (Ibid)

Holistic Approach to Satisfaction, Trust, and Switching Barrier

This theory as proposed by Ranaweera and Prabhu (2003) looks at the combined effects of satisfaction, trust and switching barriers on customer retention. Independent as well as combined effects on customer retention are being analyzed in this approach. The authors here proclaims that the higher is the customer satisfaction the higher is the retention. Firms, therefore, should devote a lot of efforts on managing and increasing the customer satisfaction (Ranaweera and Prabhu 2003). Regarding trust, the authors are of the view that satisfaction alone is not sufficient to retain customer, a trust is to be built in between the customer and the provider which ultimately decreases the probability of each party ending the relationship. On switching barriers, the authors argue that the higher the level of perceived switching cost is, the higher is the probability for the customers to remain.

The Conversion Model

Reichheld (1996) proposes that although satisfaction remains the basis for customer retention, it is not enough to retain customers, on its own, as satisfied customers may defect. Customer loyalty is what matters the most, the highest degree of customer commitment to a relationship. Reichheld (1996), identifies three factors that he believed influences commitment which are; level of customer involvement in the search process; attraction of alternatives –that is how customers compare firm's offers with that of competitor and the extent of ambivalence. If customers perceive competitors' offers as having better value they will switch to competitors' products. The other factor identified is extent of ambivalence, which is the state when the customer is not completely converted to the firm's products, and is dissatisfied with some aspect of the product. They are not sure of what to do. At this stage customers will either leave or stay. It is time that the firm puts in place recovery system; one that tracks customer complaints and addresses them immediately. In retention strategies it is best to learn from the lost customer (reasons for defection) and improve your offers for the remaining customers (Reichheld, 1996).

Holistic Approach by Ranaweera and Neely (2003)

Ranaweera and Neely (2003) came up with a holistic approach to customer retention and the factors influencing it: service quality perceptions, price perception, customer indifference and inertia. The authors support the positive relationship between perceived service quality and customer repurchase intentions. They concluded that customers may place a greater importance on quality of the service rather than on the cost of acquiring that service. On price the authors hold the hypothesis that better the perceived price is, the greater is the level of repurchase intentions. Ranaweera and Neely (2003) further argue that the higher level of inertia (a non-conscious form of retention) is, the greater is the level of repurchase intentions. Finally, the authors propose that the

higher the level of customer indifference -neither positive nor negative perceptions of services- is, the greater is the level of repurchase intentions.

Customer satisfaction

Oliver (1992) states that satisfaction is a consumer's post-purchase evaluation and affective response to the overall product or service experience. Customer satisfaction is the necessary foundation for the company to retain the existing customers. The customers who are unsatisfied with the received services would not be expected to have long run relationships with the company (Lin & Wu, 2011).

Drivers of customer retention and strategies

Based on the above discussed theories and literature reviews, following customer retention strategies have been identified as the variables for study:

Service Quality: Network providers should meet or exceed customer expectations on service quality offered to make it easy for them to retain those customers and it is those delighted customer who will retain.

Customer Care Services: It is another strategy that involves constant communication with customers, handling their complaints and queries, rendering prompt help and being visible.

Price: It is the major determinant of customer choice. The price charged on the product determines its affordability as well as the repurchase intention. It should be transparent too.

Other facilities: It includes the product range and convenience being offered as per the customer needs. It reduces customer search costs and acts as a one stop shop concept. Other services facilities could be internet access, utility bills payment & banking services, money transfers etc. It creates value to the existing customer.

Loyalty Enhancement Programs: It refers to the loyalty schemes: a reward to customers for their patronage. It offers both financial and social benefits to the customers. Examples are bonus balances, free minutes, free SMS, occasion packages, call loan & tariff incentives etc.

Communication: Through effective communication mechanism and strategies, exiting customers are communicated about promotional updates and service offers to encourage trails and rebuy behavior.

3. DATA AND METHODS

The study followed a survey research design and was based solely on the primary data collected from the Pokhara city. A total of 200 respondents were distributed with self-administered close ended questionnaires, out of which 192 questionnaires were found useful enough for the study purpose. Descriptive and inferential statistics were used for presenting and analyzing the collected data with the help of SPSS 21 and MS-Excel 2013. Chi-square statistic was applied to test the existence of relationship between variables studied and the network types. Simple random sampling was used with regard to the type of inferential statistics being used.

4. RESULTS AND DISCUSSIONS

A greater number of respondents were found using Ncell network that totaled to 44.3% made evident by the above Table 1. But since there is also a number of subscribers possessing both Ncell & NTC, the total subscription for Ncell network is 56.3% whereas for NTC is 43.8%.

Table 1: Types of GSM Cellular Network Used by Respondents

Networks Possessed	Frequency	Percent
NTC	55	28.6
Ncell	85	44.3
Both (NTC & Ncell)	52	27.1
	(NTC=29, Ncell=23)	
Total	192	100.0

Table 2 shows the users' customer satisfactions ratings toward their network which reveals that Ncell users are slightly more satisfied in comparison to those of NTC users as visually indicated by the Figure 1 also. However, there is no statistically significant relationship between the levels of satisfaction and the type of network that the customer are using (Chi-square with 4 degree of freedom = 0.028, $p = 1.000$).

Table 2: Respondents who are Satisfied with Their Network and the Chi-Square tests.

Network	Customer Ratings					Row Total	Test Statistics		
	1	2	3	4	5		Chi-Square Value	DF	Significance
NTC	6 3.1%	4 2.1%	19 9.9%	48 25%	7 3.6%	84 43.8%	3.633	4	0.467
Ncell	6 3.1%	11 5.7%	31 16%	54 28%	6 3.1%	108 56.3%			
Total	12	15	50	102	13	192 100%			

Note: Customer Ratings 1 = Highly Dissatisfied & 5 = Highly Satisfied. Source: Field Survey

2016

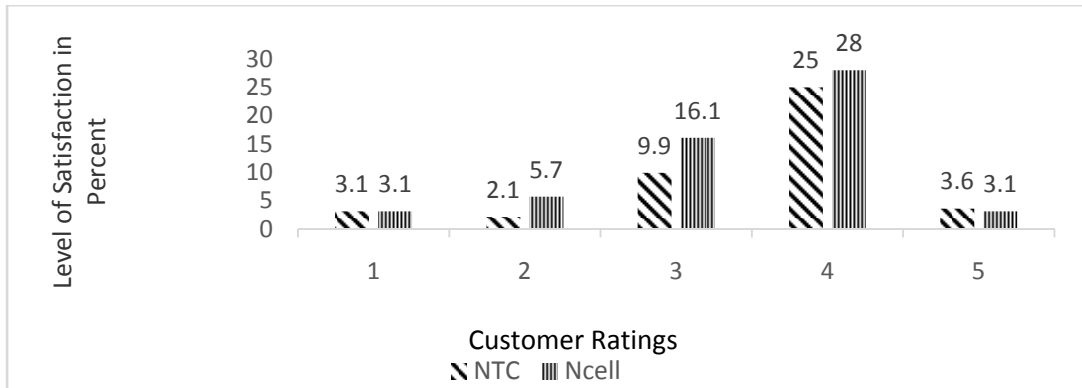


Figure 1: Respondents who are Satisfied with Their Network.

The Table 3 below shows the observed frequencies and the calculated expected frequencies for the various customer retentions strategies so identified and a chi-square value calculated for each of the six variables. The chi-square test revealed that user’s perception towards their network’s service quality, customer care service, pricing, loyalty enhancement programs and communication are associated with the type of network they are using. Since, chi-square statistics is significant at 0.10 level of significance with $p = 0.090$, it is observed that there exists an association between service quality and the type of network being used by the customer. Service quality of the network has an impact on customer retention. In support of this findings, Sharma and Peterson (1999) found that higher the customer perception of technical and functional quality, the higher the trust and customer satisfaction and the relationship commitment.

Further, this study also discloses that customer care services offered to the users is associated with the type of network being adopted by them (Chi-square with 4 degree of freedom = 8.938, $p = 0.061$ significant at 0.10). Customer care services is critical to the retention process and this is shown by the fact that customers whose complaints have been effectively resolved are most likely to be retained by almost 95% than those who complaints are not addressed (Zeithaml *et al.* , 1996).

A relationship between the price and the type of network chosen is seen significant as per the test statistics ($p < 0.05$). Rahman *et al.*, (2010), in a study of the Malaysian telecommunication market, observed that price/rate is a significant contributor in the decision of mobile users in selecting a mobile operator. Further, from Table 3 it is seen that statistically there exists a highly significant relationship between the type of network used and the perception towards the loyalty enhancement programs offered by them to its users. Loyalty enhancement programs tend to reduce customers’ propensity to switch brands (Kotler, 2009). Another revelation about the study is the existence of a strong association between the type of network and the efficacy of the network while communicating various promotional offers & schemes to its users. For any relation to thrive, communication is critical where the parties need to make a decision on who to communicate with, the amount and type of information to communication (what) and how often they need to communicate (Gummerson, 2008).

On the basis of test statistics, it can be argued that apart from these differences, there is homogeneity in the perceptions as held by the customers among these two GSM mobile operators in terms of other service facilities such as internet access, banking & utility payment services being offered.

Table 3: Customer Retention Strategies and Chi-Square Test

Customer Retention Strategies	Network	<i>f</i>	Customer Ratings					Row Total	Test Statistics		
			1	2	3	4	5		Chi-Square Value	DF	level of Significance
Service Quality	NTC	Observed	6	8	30	33	7	84	8.018	4	0.090*
		Expected	3.5	5.7	26.7	39.8	8.3	84			
	Ncell	Observed	2	5	31	58	12	108			
		Expected	4.5	7.3	34.3	51.2	10.7	108			
Customer Care	NTC	Observed	6	14	33	26	5	84	8.938	4	0.061*
		Expected	4.4	10.5	28.4	35.4	5.3	84			
	Ncell	Observed	4	10	32	55	7	108			
		Expected	5.6	13.5	36.6	45.6	6.8	108			
Pricing	NTC	Observed	4	16	27	31	6	84	10.264	4	0.034**
		Expected	7.4	18.8	29.8	24.5	3.5	84			
	Ncell	Observed	13	27	41	25	2	108			
		Expected	9.6	24.2	38.3	31.5	4.5	108			
Other Service Facility	NTC	Observed	4	15	25	35	5	84	5.123	4	0.282
		Expected	2.6	11.4	24.1	38.9	7	84			
	Ncell	Observed	2	11	30	54	11	108			
		Expected	3.4	14.6	30.8	50.1	9.0	108			
Loyalty Enhancement Program	NTC	Observed	11	31	29	11	2	84	71.917	4	0.000**
		Expected	5.7	16.2	21.4	28.4	12.3	84			
	Ncell	Observed	2	6	20	54	26	108			
		Expected	7.3	20.8	27.6	36.6	15.8	108			
Communication	NTC	Observed	7	21	22	29	5	84	9.644	4	0.046**
		Expected	5.3	14.9	20.6	35.4	7.9	84			
	Ncell	Observed	5	13	25	52	13	108			
		Expected	6.8	19.1	26.4	45.6	10.1	108			

Note: * Significant at the 0.0 level ** Significant at the 0.05 level

Source: Field Survey 2016

When asked which best methods could be best adopted by the GSM mobile network providers to maintain an continued relationship with their customers, the majority of the NTC respondents considered quality of service (92.9%), loyalty enhancement programs (92.9%) and customer care services (89.3%) as the best methods to retain them whereas in the case of Ncell users it was loyalty enhancement program (88.9%), then it was price (83.3%) and service quality (81.3%).

Access to information about the products/service plays a central role in customer retention. Some interesting fact surfaced when customer were asked about where they got information about the GSM mobile networks different services they used, the majority of the users from either of the network indicated that they got the information about their network from internet as indicated in Table 5 even though many respondents got this information from more than one source.

Study found that only a handful of the respondents from either of the network (NTC 14.6%, Ncell 15.7%) were thinking to switch over to other GSM mobile network. However, the network providers should be vigilant enough to keep these figures from mounting up and prevent the potential customer defections in future.

Table 5: Descriptive Statistics

Preferred Customer Retention Strategies	NTC	Percent of Total	Ncell	Percent of Total
Service Quality	78	92.9	88	81.5
Customer Care Services	75	89.3	70	64.5
Loyalty Enhancement Programs	78	92.9	96	88.9
Price	68	81	90	83.3
Communication of offers & services	61	72.6	67	62
Other Service Facilities	69	82.1	77	71.3
Promotional Information Obtained From				
Television/Radio	17	20.7	32	29.6
Internet	40	48.8	39	36.1
Newspaper	14	17.1	25	23.2
Billboards	11	13.4	12	11.1
Total	82	100	108	100
Switch Over to Other Networks				
Yes	12	14.6	17	15.7
No	70	85.4	91	84.3
Total	82	100	108	100
Recharge Amount/Week				
Below Rs. 100	27	37.5	24	23.5
Rs. 100 – Rs. 200	29	40.3	39	45.1
Above Rs. 200	16	22.2	32	31.4
Total	73	100	102	100

Source: Field Survey 2016

When it came to amount of money recharged per week, a significant customer contribution in line with Customer Lifetime Value (CLV) was to be seen as majority of respondents from both NTC as well as Ncell recharged from Rs.100 to Rs 200 per week however the figure was much more pronounced among Ncell users (45.1%).

5. CONCLUSION

The purpose of this research study was to identify the customer retention strategies that are being currently employed by the GSM Mobile Service Companies (NTC and Ncell) in Pokhara and to evaluate the effectiveness of the strategies from the viewpoint of customers. Six independent variables were examined as customer retention strategies such as service quality, customer care, pricing, other service facilities, loyalty enhancement programs and communication. Result indicated that variables such as service quality, customer care services, pricing, loyalty enhancement programs and communication showed an association with the type of network - NTC or Ncell- used by the customers. However, homogeneity in the perceptions was observed among the customers of either of the GSM cellphone networks towards the other facilities so offered. Provision of quality services, loyalty enhancement programs and customer care service were considered by the NTC network as an effective customer retention strategies whereas Ncell users preferred loyalty enhancement programs, price factor and service quality as critical factors that

affect the quality of company-customer relationship. Results show that the customer satisfaction is not linked with the type of networks the respondents might be using. Type of network did not determine the level of customer satisfaction. Besides, customers in trivial number thought of switching over to other networks signifying that majority of the network users are content and satisfied in a way or the other with their respective cellular network. Study singled out internet as the most effective marketing strategies than other media employed by the different network providers.

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